TO: Committee on Labor & Tourism & Committee on Finance

FROM: Adrian Hong, President of Island Plastic Bags, Inc.

RE: HB 1278 Relating to Employment Security

POSITION: STRONGLY SUPPORT

Thank you for the opportunity to submit testimony in strong support of HB 1278. My name is Adrian Hong and I am the president of Island Plastic Bags Inc. (IPB), a second-generation, family business in Halawa Valley that manufactures plastic trash liners and food grade bags. This bill is badly needed to avoid crippling payroll tax hikes on already struggling businesses.

At the onset of the pandemic, I told my employees that we would not lay anyone off because of the pandemic. I told them that they would still have all their health and 401K benefits. Almost a year on, we have kept that promise but it has been by no means easy. 2020 was the worst year on record for our company. Our revenues in 2020 were down 36% compared to the previous year.

While a PPP loan and the Small Business Recovery & Relief Fund grant we received helped tremendously, we are still very far away from operating at a sustainable level of revenues. The absolute last thing we need is more taxes on our struggling business. The harder you make it for small businesses, the less of them will survive the pandemic. That will cost the state jobs, tax revenues, and a more vibrant and diverse economy in the future.

I understand that as legislators that you only have difficult decisions ahead of you this session, but I urge you to think of what will happen if more small businesses go under. Thank you for the opportunity to testify in strong support of HB 1278. Should you have any questions or comments about my testimony you can contact me by email at ahong@islandplasticbags.com or by phone at 808-484-4046.

Sincerely,

Adrian K. Hong, CPA*

President

Island Plastic Bags, Inc.

www.islandplasticbags.com

Email: ahong@islandplasticbags.com|Phone: 808-484-4046 |Fax: 808-488-8505

*Not in public practice

HB-1278
Submitted on: 2/2/2021 12:09:39 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Garrett W. Marrero	Maui Brewing Co.	Support	No

Comments:

Aloha and mahalo for reviewing my testimony. As I know you have a great deal to go through I will keep it brief.

This bill will retain UI rates at current levels at schedule C. The UI fund is not meant to support employee payments during a pandemic when business are foced to close due to government orders.

Raising the rates would be yet another stab wound in small businesses in hawaii that when reading all the bills to tax the life out of our economy feel like a death from 1000 cuts.

There is no question that we cannot afford increased rates and will absolutely be forced to lay off and automate more jobs or worse yet outsource many functions.

Mahalo again for your time.

HB-1278
Submitted on: 2/2/2021 12:25:27 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Gregg Nelson	Napili Kai Beach Resort	Support	No

Comments:

Aloha Committee Members, I am writting to express my support for HB1278 in so far as it keeps the schedule at level C. I do not support the language moving the schedule to level D the following year. I represent a small resort on Maui with 165 staff members. As you know this has been an extremely difficult year for tourism and our resort, likely the most difficult year we have had in our 60 years of operation. We cannot afford a level D increase. Truth be known, I am not sure how we will pay for level C but at least we will give it our best shot. Thank you for your consideration. Aloha

Gregg Nelson, General Manager, Napili Kai Beach Resort

Date: February 2, 2021

To: Rep. Richard H.K. Onishi, Chair
Rep. Jackson D. Sayama, Vice Chair
Members of the Committee on Labor & Tourism

Rep. Sylvia Luke, Chair
Rep. Ty. J.K. Cullen, Vice Chair
Members of the Committee on Finance

From: Victor Lim, Legislative Lead

Subj: HB 1278 Relating to Employment Security

The Hawaii Restaurant Association representing 3,400 restaurants here in Hawaii supports HB 1278 Relating to Employment Security dealing with the Employer's Unemployment Insurance rates.

Most restaurant operators here do not expect business conditions to improve much in the coming years and 43% say it is unlikely their restaurant will still be in business six months from now without additional relief packages from the federal government. To say that many businesses here in Hawaii are in dire straits will be an understatement.

The rise in workers on the Unemployment Insurance during this Covid-19 is not of any business's doing and we need our state to help all of these businesses to bounce back. We need to bring back economic vitality and jobs for our citizenship.

Keeping the rate schedule at the current C for 2021 and schedule D for 2022 will give our struggling businesses a fighting chance to survive and get out of this ongoing Covid-19 pandemic.

Thank you for allowing us to share our situation and position on this.

The Hawaii Restaurant Association
2909 Waialae Avenue, #22 Honolulu, Hawaii 96826 Office 808-944-9105 Fax 808-441-5355

Hawaii Automobile Dealers' Association

John Uekawa, President
Dave Rolf, Executive Director

HADA TESTIMONY IN SUPPORT of HB1278

RELATING TO EMPLOYMENT SECURITY
Presented to the House Committee on Labor and Tourism and the House Committee on Finance
At the Public Hearing, 2 p.m. Thursday, February 4, 2021
Conference Room 312, Hawaii State Capitol, VIA VIDEO CONFERENCE

Chairs Onishi and Luke, Vice Chairs Sayama and Cullen and Members of the Committees:

Absent a spectacular miracle, like the federal government forgiving Title XII advances of $700 million, (our Congressional delegation has told us not to hold our breath for something like this to happen), the grim reality of our unemployment taxes is something we can't avoid. We paid a staggering amount of money in unemployment benefits in 2020, borrowing funds in the process. Our state government will need to be accountable for that money somehow, and the 2021 Legislature will be debating whose backs will bear that burden. (Tax Foundation of Hawaii)

The above statement by the Tax Foundation of Hawaii points to the grim reality settling in on business owners during this legislative session amid the additional reality of increased income taxes, additional fees, and new assessments being considered for placement on business owners, which will result in a pulling down of the performance of economy.

To avoid further economic slowdown, HADA's dealerships join you in seeking solutions.

With our participation in the discussion on the bills being introduced today, and others being introduced in this session, we join in the deliberative process that will see a question being thought out, researched and discussed, with the fundamental question being this: "How will this measure improve the economy?"

Robust commerce is what is needed right now to grow the economy, not additional borrowing, or additional tax burdens.

There is a need to change the negative narrative.

A recent Hawaii daily newspaper headline “Unemployment Tax to Triple” is part of that dispiriting narrative. The subhead on that story read: “Hawaii businesses fear the (UI) increases will ruin the road to economic recovery.”

Certainly, to grow back the economy more rapidly from the pent-up demand, there is a need to minimize the burdens on business capital.

One Hawaii dealership owner explains that his accountant said the current UI increase would cost his dealership more than $1,000 per employee this year.

To visualize what $1,000 looks like just lay ten $100 bills on a tabletop, and you’ll say that’s a lot of money.

Multiply that $1,000 times 20 if you are a small restaurant owner or times 350 if you are owner of several dealerships.

It’s a large amount of money for both businesses, at a time money is in short supply, or when your business is taking losses.

Maintaining the insurance rate at Level C for 2021, and Level D for 2022 instead of its current Level H, the highest level, will allow businesses time to address pent-up demand and get the economy growing again.

HADA dealers appreciate the opportunity to offer support for HB1278.

We will be providing data and input as discussions continue on this critically important Unemployment Insurance (UI) rate decision and other important public policy decisions.

Respectfully submitted,
David H. Rolf
For the members of The Hawaii Automobile Dealers Association

Kohala Coast
RESORT ASSOCIATION

February 2, 2021

Representative Richard Onishi, Chair
House Committee on Labor and Tourism
Representative Sylvia Luke, Chair
House Committee on Finance
Hawaii State Legislature

Support of HB1278

Dear Representative Onishi and Members of the House Committee on Labor and Tourism and Representative Luke and Members of the House Committees on Finance,

Thank you for the opportunity to provide testimony in support of HB1278.

We truly appreciate the State Legislature's efforts to address the concerns related to the proposed increases in Unemployment Insurance costs as quickly as possible. Thank you for moving swiftly by convening this joint committee hearing. We support setting the rate at Schedule C and D respectively, and look forward to greater partnerships as we all work to recover from the devastating economic impacts from COVID-19.

KCRA is a collection of master-planned resorts and hotels, situated north of the Ellison Onizuka Kona International Airport at Keahole, which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. This is approximately 35 percent of the visitor accommodations available on the Island of Hawai`i. KCRA member properties annually pay more than $25 million in TAT, $25 million in GET and $11 million in property taxes.

Mahalo for the opportunity to provide comments.

Sincerely,

Stephanie P. Donoho

Stephanie Donoho
Administrative Director

PO Box 6991, Kamuela, HI 96743 * (808) 747-5762 * kohalacoastresortassn@gmail.com * www.kohalacoastresorts.com

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February 2, 2021

Honorable Richard H.K. Onishi, Chair
Honorable Jackson D. Sayama, Vice Chair
Committee on Labor and Tourism

Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Committee on Finance

House of Representatives
State Capitol
415 South Beretania Street
Honolulu, Hawaiʻi 96813

Re: H.B. NO. 1278, RELATING TO EMPLOYMENT SECURITY

Dear Chair Onishi, Chair Luke, Vice Chair Sayama, Vice Chair Cullen and Committee Members:

On behalf of the Honolulu Japanese Chamber of Commerce, we respectfully submit this written testimony in strong support of House Bill No. 1278. In particular, we strongly support Section 3 of House Bill No. 1278, which would fix employer contributions at contribution rate schedule C for calendar year 2021, and at contribution rate schedule D for calendar year 2022.

Without relief through legislative action, Hawaiʻi's employers, many of whom have suffered and continue to suffer from the severe downturn in Hawaiʻi's economy as a result of the Covid-19 pandemic, will be faced with potentially ruinous increases in required employer contributions. Such an additional financial burden on businesses already faced with continuing costs, but drastically decreased revenue, may result in the further permanent closure of many local business and increased long term unemployment.

For the foregoing reasons, we strongly support House Bill No. 1278.

Thank you for your consideration of the foregoing.

Very truly yours,

Wayne Ishihara
President and CEO

Peter Hamasaki
Chair, Government Affairs Committee

HB-1278
Submitted on: 2/2/2021 4:13:50 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Albitz	Aloha Business Bitz, Inc dba Island Art Party	Support	No

Comments:

As a small business on the hardest hit island of Maui, I implore you to support this bill and keep UI rate on Schedule C for this year and wait until next year to increase to scheudle D.

Even with all of the assistance I have received, I am still barely able to keep my doors open especially having to operate at less than 30% capacity. The amount that all of my expenses have gove up but my capacity to generatae revenue has not has my business teetering on the brink of closing. There's no way that I can afford Schedule H.

- There must be a legislative fix for the UI rate issue by March 2021, otherwise businesses will have to face the increase to Schedule H. It is important these bills are fast-tracked.

February 2, 2021

To: The Honorable Rep. H.K. Onishi, Chair
The Honorable Rep. Jackson D. Sayama, Vice Chair
Members of the Committee on Labor & Tourism

The Honorable Rep. Sylvia Luke, Chair
The Honorable Rep. Ty J.K. Cullen, Vice Chair
Members of the Committee on Finance

Date: Thursday, February 4, 2021
Time: 2:00 pm
Place: Hawaii State Capitol, Conference Room 312

From: Wayne Hikiji, President
Envisions Entertainment & Productions, Inc.

RE: Support of HB 1278 Relating to Employment Security

My name is Wayne Hikiji and I am the president of *Envisions Entertainment & Productions, Inc.* ("*Envisions*"), an event production company based in Kahului, Maui. We have been in business for 25 years and have 20 full-time employees who have been us between 16-25 years. We also employ approximately 20-25 part-time seasonal workers and contract between 115-120 independent contractors annually.

We stenuously support HB 1278 insofar as it retains the current Schedule C level of State Unemployment Insurance Taxes (SUTA) for 2021.

Given the unprecedented economic devastation this pandemic has caused many businesses in Hawaii, especially small businesses like ours, we simply cannot afford an increase to the SUTA tax in 2021. Any increase at all would force many small business to go out of businesss and place Hawaii jobs in danger, thereby creating an insurmountable obstacle to rebuilding our already fragile economy.

We, therefore, call on all Legislators to take the right action, as was done in 2010 with Act 2 which artificially lowered SUTA rates following the Great Recession of 2008, by actively supporting HB 1278 and holding the SUTA rate at Schedule C for 2021.

Respectfully submitted,

ENVISIONS ENTERTAINMENT & PRODUCTIONS, INC.

____

Wayne Hikiji
Its President

36 Pa'a Street, Kahului, Hawaii 96732 * Office: (808) 874-1000 * Fax: (808) 879-0720
INFO@EnvisionsEntertainment.com

HB-1278
Submitted on: 2/2/2021 5:26:14 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Monty Pereira	Individual	Support	No

Comments:

On behalf of Watanabe Floral, Inc, we fully support the passing of Bill HB1278. We are in no position, right now, to endure further expenses. If this increase were to take place, the difference for us would be the equivalent of 2 team members. That would mean if we had to let them go, they would go back into unemployment not helping the state at all.

We clearly understand the dire financial situation the State is facing, and we know that without this bill, all employers will be impacted, however, there is no doubt that small businesses, especially those that have been forced to shut down and whom have been prevented from operating fully or in some cases even at all, would be impacted the most. We need our State to step up and provide help, not allow things to happen to further destroy what we have left. Please, please pass the Bill and allow us a year to try and salvalge our businesses and survive.

Thank you so much!!

Monty Pereira

Watanabe Floral

Hawaii Transportation Association
Driving Hawaii's Economy

February 4, 2021

TESTIMONY BEFORE THE HOUSE COMMITTEES ON LABOR & TOURISM, AND ON FINANCE ON HB 1278 RELATING TO EMPLOYMENT SECURITY

Aloha Chair Onishi,Chair Luke, and committee members. I am Gareth Sakakida Managing Director of the Hawaii Transportation Association (HTA) with over 375 members involved with the commercial ground transportation industry.

HTA supports this bill. We very much appreciate the House's exertions to aid Hawaii's ailing employers by mitigating the Unemployment Insurance schedule for 2021, 2022, and 2023.

Although segments of the trucking industry have continued to operate during the COVID pandemic ensuring a reliable supply of critical food, medicine, and health supplies, not everyone has been so engaged. A return to normal business levels is not foreseen this calendar year.

Our passenger carrier industry has been particularly hard hit, and their return is expected to be even more repressed than their trucking counterparts.

Again we appreciate your efforts and we really need to do all we can to help these essential services to survive in order to maintain a critical supplies, and visitor service, infrastructure.

Mahalo.

HAWAII FOOD INDUSTRY ASSOCIATION

1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiifood.com

TO:
Committee on Labor & Tourism and Committee on Finance
Rep. Richard H.K. Onishi and Rep. Sylvia Luke, Chairs
Rep. Jackson D. Sayama and Rep. Ty J.K. Cullen, Vice Chairs

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 4, 2021
TIME: 2pm
PLACE: Via Videoconference

RE: HB1278 Relating to Employment Security

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

This measure is necessary in order to prevent abrupt unmanageable increases in the contributions required by employers to the Unemployment Insurance Fund. Under the current schedule the required contributions for many employers would quadruple, for other employers the required contribution would increase more than tenfold.

The economic crisis caused by the COVID-19 pandemic has impacted every aspect of our state's economy and our local businesses are struggling. We have already seen dozens of business closures and unfortunately more are likely before our state recovers. This measure is the kind of support that local companies need from the state as they work to survive. We urge you to pass this measure and we thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RELATING TO EMPLOYMENT SECURITY

BILL NUMBER: HB 1278

INTRODUCED BY: ONISHI

EXECUTIVE SUMMARY: Amends the definitions of benefit year and week. Conforms the manner of filing claims for partial benefits to the same as for total or part-total benefits. Requires the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022. For calendar years 2021 and 2022, sets the employer contribution rate schedule C and D respectively. Makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021.

SYNOPSIS: Makes definitional changes to sections 383-1, HRS.

Amends section 383-68, HRS, to set the unemployment contribution schedules for calendar years 2021, 2022, and 2023.

Amends section 383-69, HRS, to allow the director to modify for calendar years 2021 and 2022 the annual computation to omit benefits charged for all employers to address the disruptions caused by COVID-19.

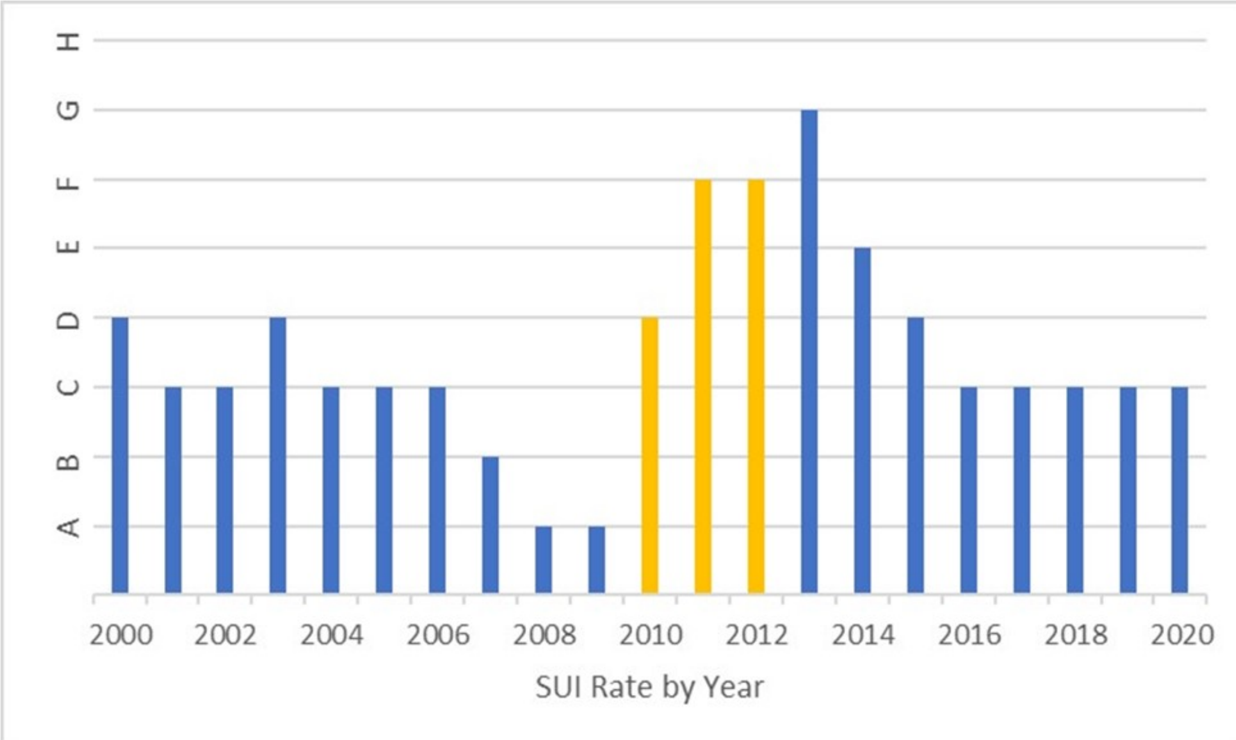
Makes a technical and conforming change to section 383-29.7, HRS.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The purpose of the Foundation's testimony is to provide lawmakers with background on unemployment rate schedules and the consequences of Title XII borrowing.

State unemployment insurance (SUI) is largely funded by employers. Most employers are charged tax that depends on two things: the overall health of the fund into which SUI tax is collected, and the claims history of the employer. So, an employer with a long history of chargeable claims, for example, will pay more than others. Also, if there is lots of money built up in the fund then the tax rate goes down for everyone.

The health of the fund determines the proper tax rate schedule. The schedules are named after a letter of the alphabet, with A the least costly schedule and H the most expensive. The fund health is measured at the end of the year, and that measurement is used to set the rate for the following year. Here is a chart of the SUI rate schedule for the past 20 years:



Source: DLIR Reports compiled by Tax Foundation of Hawaii.

Although the Great Recession of 2008 and related events caused the fund to run out of money and we needed to borrow around $180 million from Uncle Sam, employers were not subjected to the dreaded Schedule H because our lawmakers passed special legislation to control the SUI rates and override the normal formulas for the years 2010 through 2012 (the orange bars in the diagram). The current bill provides an override of the formulas as well.

Our unemployment system, as of January 8, 2021, has paid out $3.4 billion in unemployment benefits. About half of it was funded by the federal government through various programs such as the $300 "plus-up," but Hawaii employers and/or taxpayers are on the hook for the other half.

At the end of 2019, the unemployment taxes that Hawaii employers had paid were sitting in a trust fund of about $600 million. It's now gone, and the State took out a $700 million loan from the federal government to keep the unemployment trust fund afloat. There are several immediate consequences.

First, because our fund hit the "empty" mark at the end of last year, the unemployment tax on businesses is supposed to go up to Schedule H, the highest statutory rate. The Grassroot Institute of Hawaii has calculated that unemployment tax will triple in 2021 unless lawmakers change the system.

Next, if our State is borrowing money from Uncle Sam, interest may be charged. The interest rate for "Title XII advances," which is what these borrowings are called, is expected to be 2.2777% in 2021. If we are unable to repay the $700 million, then, we as Hawaii taxpayers may be on the hook for around $16 million in annual interest. Our State's Director of Finance testified that this debt is "not legally an obligation of the state," but the law does not seem to support that conclusion. As described in a Congressional Research Service report at https://crsreports.congress.gov/product/pdf/RS/RS22954, federal law prohibits passing the interest cost to employers through the state unemployment tax system, which means it will need to be paid for by other funds such as collections of tax revenue. Of course, there is a possibility that Congress could forgo interest because of the pandemic. The Families First Coronavirus Response Act of 2020 did just that, waiving interest for all of last year, so Hawaii didn't owe any interest to Uncle Sam on the $700 million as of the end of 2020. Relief under that act ended, and the interest clock started ticking again, on New Year's Day, at the rate of about $43,700 per day.

Also, federal unemployment tax will increase for those employers in a State that hasn't fully repaid its loan by November 10 of the second year in which the loan was outstanding at the beginning of the year. That is, if we can't repay the $700 million federal loan by November 10, 2022, federal tax increases will kick in beginning January 1, 2023. The additional tax is 30 basis points on the first $7,000 of wages to an employee, or roughly $21 per employee in 2023. The tax ramps up in subsequent years. It would be $42 per employee in 2024 and gets progressively worse in later years until the debt is repaid. None of these dollars go to or are set aside for the State. Again, Congress could change these consequences if it wants to, but it's not something over which any one State has control.

Digested 2/2/2021

TO: Chair Onishi, Vice Chair Sayama, and Members of the House Committee on Labor and Tourism and Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance

FROM: Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

DATE/LOCATION: February 4, 2021; 2:00 p.m., Conference Room 312/Video Conference

RE: TESTIMONY IN SUPPORT OF HB 1278 – RELATING TO EMPLOYMENT SECURITY

We are grateful that the legislature is looking at providing unemployment relief for employers. We are supportive of relief in the tax rates, but we also ask for support for employers who are deemed reimbursing employers, typically not-for-profit agencies. **We ask that these bills provide consideration for reimbursing employers who are not part of the unemployment tax system and are burdened with paying the full cost of claims.**

Background Info:

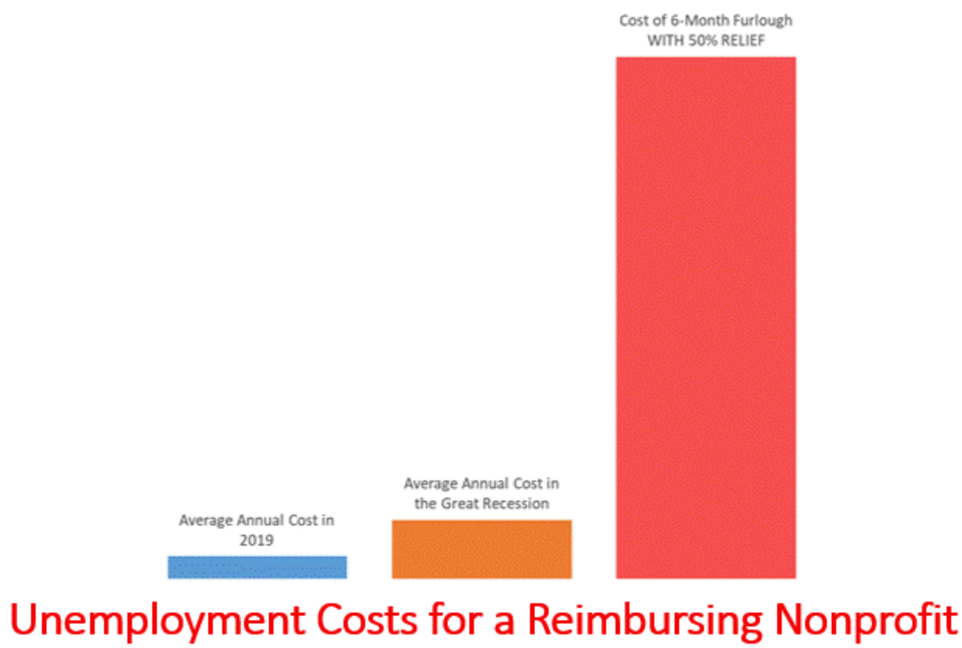
- In 1972, the Social Security Act added nonprofits to the unemployment system. It allowed 501c3 organizations to be a part of the State Tax Systems **(unemployment tax paying employers)** or opt-out **(reimbursing employer)** to reimburse their state for claims they are liable.
- During the pandemic we all have seen claims higher than we ever have in the past.
- During the COVID-19 pandemic, the CARES Act protected employers who pay SUTA (state unemployment – unemployment tax paying employers) taxes from catastrophic financial burden.
- Regrettably, the CARES Act only provides 50% funding to the reimbursing employers – plus some additional supports for extended UE coverage.
- These reimbursing employers include hospitals, medical centers, social service providers, food banks, homeless shelters, private colleges and universities, private and charter schools, museums, arboretums, performing arts organizations, public school systems and universities, counties, cities, towns, townships and villages, libraries, water and utility districts, and Native American tribes and tribal enterprises.

Issue:

- This means that many reimbursing nonprofits will be required to immediately repay 50% of the unemployment compensation paid NOW to their separated workers while private businesses will not. This is an inequitable consequence, likely unintended, **and it may**

<u>have a devastating impact on service providers at the moment they are needed most.</u>

- Reimbursing employers are also charged claims for employees who left our organization and then subsequently faced a layoff from their new employer. These are called **base period claims**. Many reimbursing nonprofits have not had any layoffs or furloughs but still experienced record unemployment charges for this reason (these base period claims).
  - For example, one local nonprofit did not layoff anyone during this pandemic but still had a loss of $100K in base period claims.
- The cost to these vulnerable employers will be much greater than even the 2008 Great Recession. Even with the current 50% relief, the projected costs related to COVID-19 for a 2-month shutdown will be equal to or surpass the amount paid out over two years during the recession.



(Provided by the 501c3 Trust)

- During the COVID-19 Pandemic, UE has risen exponentially. This issue has a greater impact to reimbursing employers. If this does not get resolved, many nonprofits may not be around when things begin to recover. Services like critical human and social solutions may be reduced or be completely eliminated. Museums, community health care centers, educational programs, and many more are at risk.
- This, however, is a double hit to the nonprofits – the first being a loss of revenue and the second by unprecedented unemployment charges.
- Many reimbursing employers are having to pull on lines of credit or leverage assets to fund this cost.

Taxpaying Nonprofits	Reimbursing Nonprofits
Pay taxes based on a state tax schedule, which is based only in part on their historical charges.	Pay for 100% of the unemployment benefits received by their former employees -- never less.
Have received 100% relief from COVID- related claims in many states.	Have received 50% assistance from the federal government. A small number of states have provided extra assistance.
Do not have to pay for unemployment claims made by employees who quit to work for another employer before COVID-19.	Must pay for unemployment claims made by former employees who went to work for a different employer before COVID-19. For example, an employee who voluntarily quit to take another job could still end up costing the reimbursing nonprofit thousands of dollars in unemployment claims. This is called a base period claim.
Will pay nothing in 2020 for this year's unemployment crisis. The cost of this year's unemployment crisis will be spread out over many years through higher taxes.	Will have to pay for this year's unemployment charges within months. These expenses are occurring even if the nonprofit does not have any income with which to pay the bills.
Are not in danger of being forced out of business by the cost of unemployment charges in current year.	Are in imminent danger of being forced out of business due to prolonged unemployment charges.

Statistics:

- Approximately 120 of reimbursing employers in Hawaii ranging from $1M to $50M in revenue each.
- In addition, there are 7 super-size nonprofits in Hawaii (revenue greater than $100 million) and an unknown number of government entities who may be reimbursing employers. We don't know exactly how many are reimbursing, but we believe that the large nonprofits and government employers were often considered essential businesses and were therefore less affected by COVID shutdowns and probably have smaller unemployment bills.
- **Unemployment costs for reimbursing employers in Hawaii have increased by 260% in 2020 from 2019 (data from the 501c Trust).**
    - With data from 59 Reimbursing employers, the average nonprofit paid *40% more than the worst year of the Great Recession*.
    - But averages don't begin to tell the whole tale, because 2020 was a classic year of "haves" vs. "have-nots." In order to really assess the damage to the health of our nonprofit community, we need to pay extra attention to the nonprofits that

suffered most. The hardest hit 10% increased 1600% compared to 2019. Looking back to the Great Recession, only 5% of nonprofits in 2010 had charges as high as this group, so it's fair to say that COVID unemployment hit twice as many nonprofits extremely hard in 2020, compared to 2010.
    - As an example, one local organization used to have $7K/month in UE charges. They now have $50K/month – which is after the 50% covered by the Federal Government.

Request:

- As you **consider relief to the tax rate for those in the State Unemployment Tax System, we ask that there be some consideration for the reimbursing employers.**
    - Specifically, provide the other 50% to the reimbursing employers (not covered by the Federal Government).
    - About 11 states have already done this, recognizing this issue and its impact (Georgia, Illinois, Iowa, Louisiana, Michigan, Nebraska, New Hampshire, New Jersey, New York, North Carolina, and Wisconsin). This list continues to grow.
    - Note: CARES money went to fund the State UI fund, but we understand that it did not help relieve the reimbursing not-for-profit employers.
        - 100% relief will ease the burden on city and state government. 100% relief will protect the financial health of these shut-down nonprofits, so that when they are allowed to serve the community again, they can come back at full strength and full employment. Every dollar spent preserving the health of a nonprofit both helps the community and prepares the economy for a rebound.
        - State UE administrators are overwhelmed with recent program changes. Nonprofits face a bewildering patchwork of state rules, invoicing errors, government promises, and uncertainty. By contrast, 100% relief is simple to administer, requires few programming changes, and reduces confusion.
    - **Estimated cost 100% relief (additional 50%) = $6M - $8M (Ballpark)**

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii's not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 15,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 18 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, and poverty prevention and community building programs.

Thank you for the opportunity to testify in **support of HB 1278,** please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON LABOR & TOURISM AND THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 312
THURSDAY, FEBRUARY 4, 2021 AT 2:00 P.M.**

To The Honorable Richard H.K. Onishi, Chair;
The Honorable Jackson D. Sayama, Vice Chair; and
Members of the Committee on Labor & Tourism,

To The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair; and
Members of the Committee on Finance,

TESTIMONY IN SUPPORT OF HB1278 RELATING TO EMPLOYMENT SECURITY

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic. I am writing share our support of HB1278.

We deeply appreciate that Representative Onishi understands the challenges businesses face and has introduced this bill to keep the employer contribution rate at Schedule C for 2021. While we recognize that we will need to move up in the future, we like that this bill only adjusts the rate schedule for 2021 and 2022, as it is hard to forecast further.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

95 Mahalani Street, Suite 22A, Wailuku, Hawaii 96793 808-244-0081 info@MauiChamber.com MauiChamber.com

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the House Committee on Labor & Tourism and
House Committee on Finance
Thursday, February 4, 2021 at 2:00 P.M.
Via Videoconference

RE: HB 1278, RELATING TO EMPLOYMENT SECURITY

Chair Onishi, Chair Luke, Vice Chair Sayama, Vice Chair Cullen, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports HB 1278**, which amends the definitions of benefit year and week, conforms the manner of filing partial claims to the same as total or part-total, allows the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022, and sets, for calendar years 2021 and 2022 the employer contribution rate at schedule C and D, respectively.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Businesses and employees are facing difficult challenges and for many of Hawaii's 30,000 businesses that contribute to the fund, unemployment insurance (UI) premium increases several times the current amount will be devastating.

In a new Pulse of Business survey[1] conducted in partnership with Omnitrak and with the support of Central Pacific Bank Foundation, the Hawaii Chamber of Commerce Foundation found the economic impact of the COVID-19 pandemic continues to have dramatic consequences for local businesses. The Pulse of Business results are not surprising and that one primary issue facing businesses is the cost of paying higher unemployment taxes in 2020 while they continue to suffer from the economic impact of the COVID-19 pandemic.

The Pulse of Business survey found that:

- Three in five businesses say they cannot afford any increase in unemployment insurance this year;

[1] https://www.staradvertiser.com/2021/02/02/breaking-news/survey-finds-hawaii-businesses-reeling-from-lost-revenue-cutting-jobs-and-expecting-a-long-road-to-recovery/

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- Almost all (94%) favor unemployment tax relief; and
- A majority (76%) said an increase of UI taxes from an average of about $600 to $2,600 per full-time employee could trigger more job reductions.

We estimate that on average, an employer paying $600 per employee per year to the UI trust fund right now, to more than $2,600 per employee will not only make business survival out of reach but may tip them into the brink of closures. State revenues are not growing, yet businesses are faced with this looming UI premium increase, and will force many employers to dig deeper at further cuts and ultimately, could lead businesses to add to the already exacerbating and struggling economy by cutting jobs.

The Legislature and the Governor have until March 2021 to provide the necessary relief that struggling employers and workers are facing or otherwise, businesses will be faced to bear a substantial burden of unemployment tax increase, which is roughly three times what they paid in 2020. The burden of a UI premium increase will not only prolong the recovery for struggling businesses and working families but may be the tipping point for small businesses into either closing their stores or consider cutting jobs.

Chamber appreciates your support and we respectfully urge your Committee to pass HB 1278.

Thank you for this opportunity to provide testimony.

House Committee on Labor & Tourism and House Committee on Finance

Representative Richard H.K. Onishi, Chair
Representative Sylvia Luke, Chair
Thursday, February 4, 2021 at 2:00 P.M.
Via Videoconference

RE: HB 1278, RELATING TO EMPLOYMENT SECURITY

Chair Onishi, Chair Luke, and Members of the Committees:

The Society of Human Resource Management (SHRM) Hawaii strongly supports HB 1278. SHRM Hawaii serves and represents nearly 600 members and employers' statewide and human resource management is a critical component to the success and survival of the many businesses that make up our local economy. HR professionals are responsible for evaluating and balancing the needs of both the employers and employees and caring for businesses' most valuable asset: the working people of our state.

The State Unemployment Compensation Trust Fund (UCTF) is largely funded by employers and determined based on the employer's experience in the payment of contributions and benefits. UCTF, which had a reserve of $607.5 million as of November 2019, was depleted in June 2020, due to the extraordinary increase in Hawaii's unemployment rate caused by the COVID-19 pandemic. Consequently, the State received a $700 million loan from the federal government as federal unemployment insurance advances under Title XII of the Social Security Act to continue payment of unemployment benefits.

The government cannot fairly hold employers solely responsible for replenishing the trust fund and to pay off the loan debt. Our unemployment system was originally designed to be 100% funded by employers to provide wage benefits to those unemployed who were between jobs as a result of business decisions. The pandemic and the ensuing shutdowns were not business decisions.

The looming UI premium increases will force many employers who fought to keep people working throughout the pandemic to ultimately exacerbate our struggling economy by cutting more jobs they would otherwise keep and an increase in UI will place business survival out of reach for many and cause job losses and business closures.

The Legislature and the Governor have until March 2021 to provide relief to struggling employers and workers before employers are forced to bear substantial UI tax burdens that will deepen and prolong the economic recovery for struggling businesses and working families. We implore you to help Hawaii's employers stave off what will be a catastrophic tipping point for many small businesses and provide much needed relief to help them continue preserving much needed jobs.

SHRM appreciates your consideration and we respectfully urge your Committee to pass HB 1278.

Thank you for this opportunity to provide testimony.

Kalani Morse
Legislative Affairs Committee Co-Chair

Dailyn Yanagida
Legislative Affairs Committee Co-Chair

DAVID Y. IGE
GOVERNOR

JOSH GREEN
LIEUTENANT GOVERNOR

ANNE PERREIRA-EUSTAQUIO
DIRECTOR

JOANN A. VIDINHAR
DEPUTY

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
www.labor.hawaii.gov

February 4, 2021

To: The Honorable Richard H.K. Onishi, Chair,
The Honorable Jackson D. Sayama, Vice Chair, and
Members of the House Committee on Labor & Tourism

To: The Honorable Sylvia Luke, Chair,
The Honorable Ty J.K. Cullen, Vice Chair, and
Members of the House Committee on Finance

Date: Thursday, February 4, 2020
Time: 2:00 p.m.
Place: Via Videoconference, State Capitol

From: Anne Perreira-Eustaquio, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 1278 RELATING TO EMPLOYMENT SECURITY

I. OVERVIEW OF PROPOSED LEGISLATION

This measure seeks to temporarily reduce unemployment insurance contribution rates as a method to help contain the economic fallout from COVID-19 by helping expedite the State's economic recovery and protecting employers from facing higher tax rates at a time when they can least afford to pay them.

The proposal sets the contribution rate schedule for calendar year 2021 at C and at D in 2022. The bill also permits the Director to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2020 and 2021 as well as housekeeping provisions. Omitting the benefits charged to all contributory employers in 2021 and 2022 will result in a significant decrease in employer contributions.

The DLIR supports the intent of this measure but prefers the content of HB1005. The department also requests an amendment regarding reimbursable employers.

II. CURRENT LAW

The Unemployment Compensation Trust Fund (UCTF) had a reserve of $607.5 million as of November 2019. The UCTF balance was depleted in June 2020 due to the extraordinary unemployment rate caused by the disruptions of the COVID-

19 Pandemic. A contributory employer's Hawaii unemployment insurance contribution rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rate schedule will be at the highest rate at Schedule H in calendar years 2021, 2022, and 2023 without statutory intervention to reduce the schedule.

Section 383-69, Hawaii Revised Statutes, (HRS), prescribes the procedure the department uses to determine each employer's rate of contributions pursuant to sections 383-63 to 383-69, HRS.

The bill also amends the definitions of benefit year and week and conforms the manner of filing partial claims to the same as total or part-total.

III. COMMENTS ON THE HOUSE BILL

The DLIR supports the effort to provide relief to contributory employers by temporarily suspending the statutory schedule. The COVID-19 Pandemic created an unprecedented increase in Hawaii's unemployment rate as the seasonally adjusted unemployment rate increased to 23.6% in April from 2.7% in February. This temporary relief will help ensure employees can return to work safely, and employers can rehire their employees once the immediate public health crisis abates. It will also help ensure more businesses will be able to survive this crisis and rehire their employees once they can safely resume operations.

The department proposes using Schedule D for 2021 as it is the first schedule that levies all employers at rates from .2% up to 5.8%. Under Schedule F all employers would pay contributions at rates 1.2% up to 6.2%. Under Schedule G all employers would pay contributions at rates from 1.8% to 6.4%. Under Schedule H the contributions would range from 2.4% to 6.6%. Setting the tax rate schedules from D, F, and G will mean that all contributory employers will share in the replenishment of the UCTF and help re-establish the fund's integrity.

The bill also enables the department to omit the benefits charged in the annual experience rating calculation for contributory employers thereby reducing the impact of employers' experience due to the unprecedented challenges caused by COVID-19. The net effect will be a significant decrease in the employers' annual contribution rate as contributions will be calculated into the rate determinations but not the benefits issued to employers' employees in 2021 and 2022.

Lastly, the department is requesting an amendment to provide relief for certain reimbursable employers in a new paragraph at the end of 383-62(a) as follows:

Notwithstanding any other provision of this part to the contrary, for weeks of unemployment beginning March 15, 2020 and ending on March 20, 2021, any base period employer, except any base period employer making reimbursements instead of contributions pursuant to subsection(b), charged with benefits that is not a direct result of the COVID-19 Pandemic, shall be entitled to a relief in the form of a fifty per cent credit against the amount owed by the reimbursable employer.

HB-1278
Submitted on: 2/3/2021 11:38:34 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alan S. Hayashi	Individual	Support	No

Comments:

Honorable Chair Luke, Chair Onishi, and members of the Committees on Finance and LAT:

I stand in suport of the current version of HB1278, wich defers the UI stepup to future years, to allow businesses time to recover from the devastating economic effects of COVID 19.

Thank you for the opportunity to testify.

Alan S, Hayashi, Principal

Consult 808

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 4, 2021

The Honorable Representative Richard Onishi
The Honorable Representative Jackson Sayama
Members of the House Committee on
Labor and Tourism

The Honorable Representative Sylvia Luke
The Honorable Representative Ty Cullen
Members of the House Committee on
Finance

RE: **Bill number – HB 1278 RELATING TO EMPLOYMENT SECURITY**
Hearing date: Thursday February 4, 2021 at 2:00PM

Aloha Chair Onishi and Chair Luke, and members of the committees,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **SUPPORT** of HB 1278. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB 1278 amends the definitions of benefit year and week. The measure amends Hawaii Revised Statutes, Section 383-68, subsection (c) set schedule C to apply for 2021and schedule D for 2022. Further, HB 1278 allows for the Director of Labor and Industrial Relations for the calendar years of 2021 and 2022, to modify annual computation rate to omit benefits charged to all employers to address the disruptions caused by COVID-19.

NAIOP believes that relief to the 2021 SUTA increase is desperately needed. Small businesses are reeling and barely surviving amidst the deteriorating economic climate. HB 1278 provides the smallest increase over the course of 2-years producing. Allowing their SUTA costs to double or triple would further impede economic recovery and drive some companies out of business.

Given the uncertainty regarding the pandemic, the pace of the economic recovery, and potential for federal support funding it is prudent to provide a 2-year fix to the SUTA rates at the C & D levels and then reassess thereafter. The Legislature will have more clarity and be in a better position next year to assess the best options to address the SUTA funding shortfall. The 2-year rate fix will allow for enough time to evaluate the health of the broader economy.

Furthermore, the long-term obligation to repay the SUTA debt and reestablish the reserves should be borne by the State at large and not rest solely on the business community. The depletion of the State Unemployment Funds was a result of the State government shutting down the economy in response to a public health crisis. It was not caused by actions taken by businesses themselves through poor decision making or risk taking. In addition, it was the State government that decided to materially increase the unemployment payments during the crisis to support Hawaii residents. Again, this decision was made for the greater public good, but it was not how the State Unemployment Fund was set-up to function. The debt attributed to the increased unemployment benefits should solely be borne by the State at large and not by local businesses.

Ultimately, HB1278 keeps Hawaii companies in business by not placing the burden of increased SUTA costs to replenish the State Unemployment Fund squarely upon their shoulders. In turn, lower costs for employers will allow them to retain their employees resulting in additional tax revenue for the State. The benefits generated by HB 1278 will accelerate the State's ability to recover from COVID-19.

Mahalo for your consideration,

Catherine Camp, President
NAIOP Hawaii

Comments to the Committee on Labor, Culture and the Arts
Thursday, February 4, 2021
2:00 p.m. Conference Room 312

RE: HOUSE BILL 1278
RELATING TO EMPLOYMENT SECURITY

Chair Onishi, Chair Luke, and Members of the Committees:

We appreciate your efforts to assure there are affordable unemployment insurance taxes, allowing employers to recover from the pandemic. Thank you for the opportunity to submit comments.

BACKGROUND

ProService Hawaii provides employee administration services to over 2,400 small businesses in Hawaii, representing over 35,000 employees in Hawaii. As a professional employer organization (PEO), we ensure that our clients remain compliant with Federal and State employment and labor laws, while allowing them to focus on their core business, providing needed and valuable services to the people and the economy of the State. In addition, we ensure that our clients' employees receive timely payment of; wages, workers' compensation and TDI benefits coverage. We also provide HR training and services, dispute resolution, and safety services to our clients and our clients' employees.

We support the efforts of this legislative body to explore the options to support employers with affordable unemployment insurance taxes as it is in this state's and business' best interests to offer an opportunity to rebound and not penalize employers for bringing employees back into the workforce. We are providing comments to encourage a lower rate unemployment insurance rate schedule for the next several years.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. We support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

SUMMARY OF COMMENTS and CONCERNS

There are two issues to address:

1. Holding payroll taxes down so our economy can rebound
2. Replenishing the UI trust fund and paying down the Federal loan

Holding the payroll tax down: Unless a bill is passed and signed by the Governor before March, the tax rate schedule will increase from Schedule C to Schedule H in 2021 and rates could triple for some employers. Businesses of all sizes, but particularly small businesses, cannot handle a steep SUTA increase. **A local business with 5 employees could pay an extra $7,000 in SUTA taxes if rates are increased to Schedule H.** This will create disincentives to hire (or re-hire) employees and slow down business recovery. In their already weakened state, many more businesses will shut their doors thereby shrinking local employment opportunities for Hawaii workers for good. Our local businesses and workers have suffered enough already.

Replenishing the UI Fund: The government cannot fairly hold employers solely responsible for replenishing the trust fund. Our unemployment system was originally designed to be 100% funded by employers to provide wage benefits to those unemployed who were between jobs as a result of *business* decisions. The pandemic and the ensuing shutdowns were not business decisions. The mass shutdowns were societal decisions responding to an *unforeseen* catastrophe. The fund was not intended to pay for major disasters. Moreover, the unemployment system has become a mechanism to deliver economic relief to the population of Hawaii, much like social security, and it is entirely unfair to ask employers alone to foot the bill. We understand that the Administration's position is that under Schedule C, 15% of businesses are not contributing to the fund and have recommended Schedule D. Employers who are lucky enough to have weathered 2020 should not be penalized for surviving and subsidizing the businesses who unfortunately did not make it.

Our lawmakers need to look for *other ways* to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible, not just employers.

Looking at ProService's 2400 clients, and that Schedule D is, on average, .4% higher than Schedule C, a schedule change disproportionately impacts those who currently have lower contribution rates (in our sample, we are classifying this as rates lower than 1% currently which is 58.2% of our full population) Nearly 60% of our entire population will receive a 50-300% increase in their SUTA rates.

10.6% of our clients would go from a zero contribution to .2% ($96 per EE)
5.6% go from .1 to .4% ($192 per EE) a 300% increase

9.5% go from .2 to .6% ($288 per EE), a 200% increase
10.9% go from .4 to .8% ($384 per EE), a 100% increase
12% go from .6 to 1% ($480 per EE), a 67% increase
9.6% go from .8 to 1.2% ($576 per EE), a 50% increase

The most vulnerable businesses in our economy: Restaurants, Hotels, Construction, are already paying higher rates and any increase simply makes the cost of business untenable

CONCLUSION

While this is a step in the right direction, **we fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community**. It will force many businesses to close. We also feel that HB1278 would be more beneficial if there was a provision for 2023 since the economy will need time to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone. The trust fund was not intended to pay for financial relief for major disasters.

We urge this legislative body to amend this bill and advocate for holding rates at Schedule C for 2021 and 2022, mandate the exclusion of 2020 utilization, and look for *new* ways to replenish the state's depleted unemployment reserves.

Thank you for the opportunity to comment.

Nelson Befitel

Chief Counsel

ProService Hawaii

GRASSROOT
INSTITUTE OF HAWAII

February 4, 2021
2:00 p.m.
Conference Room 312

To: House Committee on Labor & Tourism
Rep. Richard H.K. Onishi, Chair
Rep. Jackson D. Sayama, Vice Chair

House Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

From: Grassroot Institute of Hawaii
Joe Kent, Executive Vice President

RE: HB1278 — RELATING TO EMPLOYMENT SECURITY
Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB1278, which would set the contribution rate for the unemployment insurance tax at schedule C for the calendar year 2021 and schedule D for the year 2022.

This bill offers timely and much-needed relief to local businesses that are still reeling from the COVID-19 pandemic and lockdowns.

Without action from the Legislature, the employer contribution rate for 2021 will be set at schedule H, a record high for our state. That means that employers will be taxed between 2.2% and 6.6% per employee, depending on how much the employer contributed in the previous year as well as other factors.

According to analysis from the Grassroot Institute, under the automatic increase to schedule H, the average employer will see the unemployment tax triple, from 1.11% or $534 per employee in 2020 to 3.65% or $1,757 per employee in 2021.

For some businesses, the increases will be even more dramatic. New businesses will see a tax increase from $1,154 per employee in 2020 to $2,501 per employe in 2021. Some employers could go from $0 per employee in 2020 to $1,154 per employee in 2021.

Under the proposed schedule D, the rate would only increase by 38%, according to our analysis. But this would still be a painful hike for the many struggling businesses in our state, and legislators should consider keeping the contribution rate at schedule C, rather than raising it for 2022.

Even in better circumstances, this is a tax increase that would be burdensome for local businesses. During Hawaii's worst recession in decades, it could be catastrophic. Many organizations might have to choose between rehiring employees or paying the tax. Bringing on new staff would become exponentially more expensive.

If the Legislature does not reset the contribution rate to a lower tier, it could cost thousands of jobs and further slow the state's economic recovery.

By setting the employer contribution rate at schedule C for the next two years, the Legislature would avert a disastrous tax increase and help local businesses get back on their feet.

We hold that the best way to help increase state revenues is to help the economy flourish. Enactment of this bill would help considerably in the long-term economic recovery of our state.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President
Grassroot Institute of Hawaii

ALTRES®

LATE

February 3, 2021

Representative Richard H. K. Onishi, Chair
Committee on Labor & Tourism
Representative Sylvia Luke, Chair
Committee on Finance
State Capitol
Honolulu, Hawaii 96813

Subject: HB1278, February 4, 2021, 2:00 pm, Room 312

Dear Representatives Onishi and Luke:

My name is Barron Guss, President of ALTRES, Inc., a three-generation, 52-year old Hawaii company and Hawaii's original and oldest Professional Employer Organization (PEO).

The pandemic has had far-reaching effects on all aspects of everyday life. Hawaii businesses are no exception and have experienced more than their fair share of hardship beyond the forced closures. Now they face a new threat that could have them shutting their doors forever.

Since March, the State of Hawaii Unemployment Trust Fund (UTF) has been paying out benefits to a substantial portion of Hawaii residents at unprecedented rates. Unfortunately, the system could not sustain an outpouring of money at these levels. Now the fund has reached a point of insolvency and employers are mandated to replenish it.

Over the past 40 years working in the professional employer industry on both the local and national levels, I have witnessed the financial breakdown of other UI funds, but never of this magnitude or with such unimaginable consequences.

It's important to keep in mind that the SUI system was NOT designed to provide community-wide economic assistance in the event of an emergency or, in this case, a pandemic. It is intended to act as a relief mechanism for the gradual expansion and contraction of an economy. It specifically addresses the temporary needs of individuals when they find themselves without income and can also temper the effects of an economic downturn.

Recessions come on gradually and, by design, the State Unemployment Tax Act (SUTA) fund can self-regulate and manage an unemployed population of 2.4%, similar to what we experienced in 2019 and even a number close to twice that of 4.5%, as we had in 2010. In contrast, Hawaii residents turned to the only economic assistance available to them, the State of Hawaii Unemployment Trust Fund.

In April and May of 2020, the two-month average for the unemployed in the islands reached 24.0%, with November's average at 10.1%. With these unprecedented unemployment levels, it's easy to understand why the reserves in a system that was not designed for emergency welfare would collapse under its own weight with a tenfold increase in benefits paid out in only two months. Even at today's averages, the system is being taxed at a 4X ratio.

In 2019, the State received approximately $178M in contributions via unemployment taxes on wages by employers. In contrast, it paid out $151M in benefits to qualifying individuals, leaving a year-end surplus of over $25M and an accumulated $600M in reserves.

The Problem - At the end 2021 Hawaii will owe the Federal Government $1.242B!

As of July 2020, the ten-year accumulated reserves of $600M in the UI Fund was depleted to zero. Because of Hawaii's participation in the Federal Unemployment program, it is entitled to borrow money (Title XII Advances) in the event of a deficit such as we have today. As of December 2020, the State of Hawaii had borrowed $749M from the federal government and since then it has paid down the balance from two sources - leftover CARES Act funds from the first round of funding and approximately $3M from employer contributions, leaving today's loan balance at approximately $700M.

The most recent estimates are that Hawaii will pay out on average $60M a month or $720M in benefits over 2021, in contrast to the $151M of benefits paid out in 2019. Basically, when you factor in the reduced contributions due to the pandemic and the borrowed balance of what is needed to provide benefits, **by the end 2021 Hawaii will owe the Federal Government $1.242B!**

What to do?

Rather than cite the financial impact that the imposition of a higher rate schedule would have on Hawaii businesses, I would like to redirect your thinking to the "elephant in the room" -- the debt itself.

There has not been enough discussion about who should be responsible for its repayment. As previously stated, the outpouring of funds from the UTF was not caused by employers or even a recession, but an event that could be equated to a natural disaster, no different than a tsunami or hurricane. For these types of disasters there is precedent, which led to the creation of the Hurricane Relief Fund or federal assistance from FEMA.

One could confuse that borrowing money from the federal government's program (Title XII Advances) is similar to FEMA, but I would argue that it is not, because FEMA monies do not need to be repaid and they are definitely not repaid by employers.

Decision making to what end?

As expected, all the discussion up to now, and the testimony in the Senate hearings, have been focused on which schedule to use. The DLIR's focus is on replenishing the fund and the business community is fixed on keeping the schedule at "C" for the foreseeable future.

Today you will be asked to balance the need for repayment with the restart of the economy. Because of the lack of information and the inability of the DLIR to truly forecast the future, through no fault of your own the likelihood of making the right decision is at risk. Please take a moment and consider the following information as you contemplate the future of our state.

If you are planning on employers paying the debt - which will be at $1.2B by the end of 2021, it really doesn't matter what rate schedule you use. It will never get repaid by using "C", "D" or even "H."

Here's why.

In 2019, with a robust economy and using schedule "C", the income to the UTF was $151M. Since on average, schedule "H" is 3X "C," the average maximum income to the UTF would be $450M per year if we could get back to pre-pandemic levels, which is highly unlikely. In 2021 the UTF is forecast to pay out $720M, which already has us borrowing more money and we would still have a growing deficit by using the highest rate schedule.

So, let's just suppose that we are talking about income and benefits payout in 2022, 2023 and beyond.

Where is the delta? At what point will the income into the fund via employer contributions equal the outpayment of benefits? Of course, this is a variable because the choice of what schedule to use for the employer assessment is what you are trying to decide. The conundrum is at what point will the desire to increase the rate of income to the UTF stall the economic recovery for Hawaii?

Choosing a rate schedule simply addresses the symptoms caused by the problem but does not sufficiently address the debt repayment, as the income into the UTF can never service the repayment of the principal without killing the economy.

What to do

It's a self-fulfilling prophecy - raise taxes to pay off the debt and the economy slows or keep taxes low to preserve the economy and the debt increases.

The only choice is to redirect the Legislature's focus to moving the debt from the DLIR and repay it from the General Fund. It should be clear by now that there is no way that taxes levied on employee wages will ever be able to keep pace with the debt. At best, there will be a time in the future when contributions should be able to keep up with the benefits payout and paying the interest on the debt, but nothing more.

Economic Stimulus

By moving the debt onto the State of Hawaii's balance sheet, it redirects the balance of your decision-making to what schedule should be used to restart the economy. You may even consider a drastic action like moving to a lower schedule, such as "B" or even "A" to create momentum and give business some true economic stimulus to hire more workers.

Financing the Debt

A natural response to moving the debt to the budget is to say, "tax revenues are down across the board and the State can't afford it." Well, if the State can't afford it, do you really think employers can?

A solution is to leave the debt with the federal government and simply pay the interest on the loan for the next ten years. There is, of course, an interplay with the FUTA tax credit and reduction, but the maximum penalties are far less than the potential devastation by increasing taxes. Keep in mind the maximum FUTA tax reduction is $420, which pales in comparison to just one schedule tier increase from "C" to "D."

The best way to address the debt, if funds are not available from the general fund, is to issue a bond, which allows the State to borrow money on its own terms with no penalty from the federal government via the FUTA system. There are many ways to make Hawaii state bonds attractive to lenders, including tax free income, which will cost the state far less than the penalties and impact on the economy.

In Conclusion

Your moxie as legislators is now being tested. Do you do what appears right and popular or do you look deeper for solutions that make the most sense in the long run to give Hawaii a chance to rebound before our businesses pick up their tents and leave town, with our residents soon to follow. This is not unprecedented because, if you recall, in 2019 Hawaii experienced negative population growth and those long in tooth will remember that companies like the Outrigger Hotels and Matson moved their offices to the mainland along with their employees.

Thank you for your efforts on behalf of all the people of Hawaii.

Respectfully,

Barron L. Guss

Barron L. Guss
President and CEO

LATE

RETAIL MERCHANTS OF HAWAII

TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 4, 2021

Re: HB 1278 Relating to Employment Security

Good afternoon Chair Onishi and Chair Luke and members of the House Committee on Labor & Tourism and the House Committee on Finance. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains and everyone in between.

We SUPPORT HB 1278 Relating Employment Security. This measure amends the definitions of benefit year and week; conforms the manner of filing claims for partial benefits to the same as for total or part-total benefits; requires the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022; for calendar years 2021 and 2022, sets the employer contribution rate at schedule C and D, respectively; and makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021.

While we understand the need to replenish the Unemployment Insurance fund, we feel that this measure presents the best and fairest option. Many in our industry, especially the local small retailers will not be able to afford the steep increases that are set forth in other measures. We simply cannot absorb the 4 to 5 time the unemployment insurance rate schedules set in other measures and would force more businesses to shut down.

The retail industry has been one of the hardest hit during the pandemic. Since the pandemic, those retailers who were deemed non-essential were forced to close their businesses for months due to government orders. Those on Oahu were forced to close their businesses a second time with no income from online sales unless they were fulling the orders from home. Retailers have also had to endure an almost 50% rate increase in interisland shipping. Many stores who rely directly on the visitors are not opening until the customer base returns – if they can hold on that long. They have also reduced their staff, taken pay-cuts and more to survive.

Retailers like many businesses are struggling to survive and keep their employees employed.

Mahalo again for this opportunity to testify.

3610 Waialae Ave • Honolulu, HI 96816 (808) 592-4200 tyamaki@rmhawaii.org

LATE

HB-1278
Submitted on: 2/3/2021 4:29:13 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Miyahira	Individual	Support	No

Comments:

Businesses are struggling to pay their bills. Now is not a good time to increase their costs to do business.

LATE

HB-1278
Submitted on: 2/3/2021 5:32:47 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Craig Watase	Individual	Oppose	No

Comments:

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Craig Watase, President of Mark Development, Inc. MDI is an affordable housing developer and property manager of 47 years that employs 35 citizens of Hawaii.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I'd like to respectfully provide comments about my concerns. HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover. The mass shutdowns that triggered unemployment to skyrocket were the result of societal and political decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes. This is your opportunity to reduce the size of government. Government forced business to shut down and government should be responsible for replenishing the trust fund, not just employers. Thank you for listening to my concerns.

LATE

Bergeman GROUP

February 3, 2021

Dana Bergeman
CEO
Bergeman Group
812 Ilaniwai Street
Honolulu, Hawaii 96813

RE: Written Testimony
SB1278 & Related Measures

Aloha Chair Onishi, Chair Luke, and Members of the Committees,

My name is Dana Bergeman, and I am a local small business owner. Mahalo for scheduling this hearing. The political will to reconsider the tax rate schedule for Hawaii employers is much appreciated and I'd like to respectfully provide comments and concerns.

SB1278 proposes to hold rates at Schedule C for 2021 and transitions to Schedule D for 2022, and also mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I believe that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have a deleterious effect on Hawaii's small business owners, manifesting most acutely as a significant and negative financial impact on Hawaii's business community. Plainly speaking, our economy will need more than one year to recover. I support the proposal to adopt Schedule C, however, I respectfully submit that schedule C should be extended into 2022 before moving to Schedule D in 2023.

Many small businesses, including mine, have commitments that we cannot change. Specifically, we are contractually bound prices we cannot increase to offset Covid-19 induced increases in taxation. Over time this may be possible, however, few among us have the ability to simply raise our prices sufficiently in the short terms, in a depressed marketplace, to offset an abrupt tax increase. For me personally, this scenario will translate to tens of thousands in additional tax burden I would need to somehow recover or otherwise offset. Given that nearly all of us – including me – have already cut costs to survive Covid-19, the proposed tax increase would leave me with no other choice but to cut salaries, proceed with additional layoffs or both.

The mass shutdowns that triggered skyrocketing unemployment and the collapse of the economy were the result of governmental decisions to save us from a Covid-19 healthcare calamity. No business owner could reasonably anticipate such an event. These shutdowns were <u>not</u> bad business decisions we made. Rather, they were governmental decisions necessary to save society. It is therefore not reasonable to expect employers to be responsible for footing the bill alone.

I implore you to extend Schedule C into 2022 before moving to Schedule D in 2023. Moreover, I appeal to lawmakers to seek out other ways of replenishing the trust fund outside of tax hikes on employers alone. We cannot solely carry the burden, and certainly cannot carry it now, when we've yet to recover.

Finally, I ask that you work collaboratively – in a bipartisan fashion – with our congressional delegates to obtain federal government assistance, using more CARES Act or similar funds to provide relief, pay down federal loans, issue government bonds and spread out the timing and the source of repayment.

The unemployment tax/trust system was not designed to accommodate such an unprecedented and historic event, nor the draconian but nonetheless necessary governmental orders that caused meteoric unemployment. Given this, everyone is responsible for replenishing the trust fund, not just employers.

Respectfully,

BERGEMAN GROUP

DocuSigned by:

EA902B96F0B74B5...

Dana Bergeman
CEO

LATE

HAWAI'I LODGING & TOURISM ASSOCIATION

Testimony of

Mufi Hannemann
President & CEO
Hawai‘i Lodging & Tourism Association

Committee on Labor & Tourism, Finance
House Bill 1278: Relating to Employment Security

Chair Onishi, Chair Luke, and members of the Committees, mahalo for the opportunity to submit testimony on behalf of the Hawai‘i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai‘i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers —advocates on behalf of a tourism industry that has been disproportionately affected by an unprecedented pandemic and an ensuing economic downturn. With travel at a near standstill and strict government mandates in place, businesses across the tourism sector were forced to furlough thousands of employees and in many cases drastically downsize their operations. With the enactment of the Safe Travels program, our hospitality industry slowly began to resume, and businesses are beginning to recover. However, should the State adhere to its current unemployment tax rate schedule increase, many employers would be saddled with an insurmountable tax rate that would prolong bringing workers back to work and would dampen the progress we have made in our economic recovery. **For these reasons, HLTA strongly supports House Bill 1278.**

In December of last year, Hawai‘i recorded the highest unemployment rate in the nation as businesses continued to struggle with the absence of tourism. UHERO estimated that more than 1,400 local businesses had closed their doors permanently due to the COVID-19 pandemic, with another 2,000 suspending their operations. These businesses in their totality represent the appeal of our economy to prospective tourists. Travelers come here not only for our world-class hotels, but to enjoy our local cuisine, take advantage of our services and attractions, and shop at our local stores. Any business that is forced to close their doors for good would not only remove jobs from the marketplace, but would harm our overall appeal as a destination, and we need tourism to recover now more than ever.

For these reasons, we urge you to pass this measure and offer local business owners the tax relief they require. Doing so would not only keep businesses open and local residents employed, but also help Hawai‘i to retain its status as a premier place to live, work, play, and visit.

Thank you for the opportunity to offer this testimony.

Hawai`i Lodging & Tourism Association
2270 Kalakaua Avenue, Suite 1702, Honolulu, Hawai‘i 96815 · Phone: (808) 923-0407 · Fax: (808) 924-3843
info@hawaiilodging.org · www.hawaiilodging.org

LATE

HB-1278
Submitted on: 2/3/2021 6:42:07 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Bailey	AVS Audio Visual Services	Comments	No

Comments:

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Heather Bailey and I'm a business owner. I own AVS Audio Visual Services Hawaii and have been in business since 1999. Pre-pandemic we employed 34 people.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I'd like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Heather Bailey

LATE

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Dr. Craig Haga and I am the business owner of our family endodontic practice, which has been serving the community since 1966. We maintain a staff of 12 employees.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I'd like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Dr. Craig Haga

LATE

HB-1278
Submitted on: 2/3/2021 10:44:27 PM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carlton Yuen	Individual	Comments	No

Comments:

Chair Onishi, Chair Luke, and Members of the Committees:

My name is â€‹Carlton Yuenâ€‹ and I’m a business owner of a medical practice with about 30 employees. I had established my business in 2008 and had been serving the Hawaii population for over 13 years. It had been a difficult 2020, but we value our employees and cut our own salary to pay for them when the pandemic hit and we were shut down. We had not furloughed nor layoffed any employee since the pandemic hit despite a significant decrease in revenue. However, we know of many colleagues that had to furlough or layoff employees because they couldn’t afford to keep them.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I’d like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii’s business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Carlton Yuen, M.D.

LATE

HB-1278
Submitted on: 2/4/2021 6:15:39 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeanette Baysa	Makaâ€™ala Hawaiâ€™i, Inc dba Hilo Coffee Mill	Oppose	No

Comments:

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Jeanette Baysa and I'm a small business owner, struggling to stay open, keep jobs for the few remaining employees, and support small farmers after the effects of COVID-19 and state mandated policies.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I'd like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. â€‹While this is a step in the right direction, â€‹I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community, and specifically my own business.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of â€‹societal decisions rather than â€‹business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Aloha,

Jeanette Baysa

Hilo Coffee Mill, established in 2001, provides services for local farmers, and spreads their wonderful products into the restaurant and hospitality sectors. Additionally, we host an on-site farmers market providing an even deeper reach to showcase local grown foods and sustainability.

LATE

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Colin Ching and I am a small business owner. I own a Texaco gas station, convenience store and carwash in Aiea. I have been the owner of this business since 2014 and I have 11 employees. During this pandemic, I have managed to retain all my employees without reducing their wages or benefits. Our sales have been down because fewer people have been driving and we were forced to shut down twice because of the mayor's mandated order.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I'd like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Sincerely,
Colin Ching

3G Enterprises, LLC dba Pearlridge Texaco
98-121 Kamehameha Hwy.
Aiea, HI 96701

LATE

HB-1278
Submitted on: 2/4/2021 9:15:13 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marvin Woo	Woos Electrical	Comments	No

Comments:

Aloha Chair Onishi, Chair Luke, and Members of the Committees:

My name is Marvin Woo, and I'm a small business owner of Woo's Electrical and Appliance. We are an essential local business offering necessary residential electrical and appliance repairs. We've been operating for 18 years but with only 4 employees, we are trying to make things work amid the pandemic.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I'd like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. â€‹While this is a step in the right direction, â€‹I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of â€‹societal decisions rather than â€‹business dâ€‹ ecisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Aloha,

Marvin Woo

Owner, Woo's Electrical & Appliance

LATE

HB-1278
Submitted on: 2/4/2021 10:01:40 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Gomes	Angels By The Sea Hawaii	Comments	No

Comments:

This is being sub,itted pm behalf of our company Owner and Desiner Nina Thai.

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Nina Thai and I am the owner and designer of Angles By The Sea Hawaii. A local Kama'aina company established here in Hawaii since 2010. Prior to the pandemic I employed more than 25 employees in 4 locations here in Hawaii.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated.

However, I'd like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. â€‹While this is a step in the right direction, â€‹I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of â€‹societal decisions rather than â€‹business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Nina Thai

LATE

HB-1278
Submitted on: 2/4/2021 10:05:09 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Douglas	Hawaiian Coffee Cafe, Inc.	Oppose	No

Comments:

Dear Honorable Chair Onishi, Chair Luke, and Members of the Committees:

Aloha, my name is David Douglas and I'm a business owner of Hawaiian Coffee Cafe, Inc. We are a small business that employs a number of people, all of them young adults or students.

In the EXTREMELY challenging times, I urge you to keep HB1278 as it stands and keep the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates.

Raising the minimum wage rate, and also exluding tips will drive us out of business, plain an simple. No sugar coating, no maybe this or maybe that...we will not be able to function during these COVID restrictions!

In addition, I would urge our lawmakers to delineate between small businesses like ourselves (businesses with less than 200 employees?) and not consider "blanket solutions" with regard to salaries. Again, small businesses are, in many cases, barely able to keep their doors open and increasing expenses will drive many of us out of busines.

Furthermore, please keep Schedule C for 2021 and 2022. Anything else will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023.

It is important to note that Restaurants, Coffee Shops, and other small businesses are ESSENTIAL to keeping our neighborhoods alive. And to place these burdens on small business is irresponsible at best.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. COVID through no fault of our own has decimated business throughout Hawaii, and we will need more than one year to recover. And I blieve it is unfair to have employers foot the bill for replenishing unemployment. We we are not responsible for the shutdowns, nor were we the ones who uleashed COVID on the world.

Congressional delegates need to demand the federal government provide relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment.

Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for your consideration.

Respectfully,
David Douglas

LATE

HB-1278
Submitted on: 2/4/2021 10:23:02 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jen Johansen	Individual	Comments	No

Comments:

Dear Chair Oishi, Chair Luke, and Members of the Committees,

I am writing on behalf of Cyanotech Corporation a publicly held microalgae based dietary supplement company on the Kona Coast of the Big Island. We have provide close to 100 non-tourism jobs in Hawaii County, we have been growing microalgae here since 1984 and we generated approximately $32 million in net sales last year. The pandemic has impacted all of us including businesses. We appreciate the need to update the tax schedule but believe that the proposed legislation in HB1278 is moving too fast, as we are all trying to sustain healthy businesses.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related
claims do not impact the rates. â€‹While this is a step in the right direction, â€‹we are concerned that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii’s business community.

We urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes
on employers. We must work with our congressional delegates to ask the federal government
for relief, using more CARES funds to pay down federal loans, or issue government bonds and
spread out the timing and the source of repayment. Everyone is responsible for replenishing the
trust fund, not just employers.

Thank you for considering our testimony. We appreciate the work of you and our State legislators. Be well.

Sincerely,

Jen Johansen

VP of Quality, Regulatory & Government Affairs

Cyanotech Corporation

jjohansen@cyanotech.com

808-334-9407

LATE

HB-1278
Submitted on: 2/4/2021 10:32:11 AM
Testimony for LAT on 2/4/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marilyn Solatre	Pono Kai Resort	Comments	No

Comments:

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Marilyn Solatre and I'm the General Manager for Pono Kai Resort in Kauai, Hawaii. We are a timeshare resort with 80 employees since 1980.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for

Hawaii employers is much appreciated. However, I'd like to respectfully provide comments

about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related

claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax

rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and

significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well

before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal*

decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes

on employers. We must work with our congressional delegates to ask the federal government

for relief, using more CARES funds to pay down federal loans, or issue government bonds and

spread out the timing and the source of repayment. Everyone is responsible for replenishing the

trust fund, not just employers.

Thank you for listening to my concerns.

Marilyn Solatre

General Manager of Pono Kai Resort

Pearl City Medical Associates, Inc.
Serving our communities since 1957.

FRANCIS G. BUTO, M.D.
Internal Medicine
RYAN T. CHUNG, M.D.
Pediatrics
RONALD I. HIROKAWA, M.D.
Pediatrics
MALISSA H.K. IIDA-TAKASHIMA, M.D.
Internal Medicine

BRYAN M. MATSUMOTO, M.D.
Internal Medicine
MICHAEL S. MIHARA, M.D.
Internal Medicine
MARK D. NISHIHARA, M.D.
Internal Medicine
BRIDGIT K.L. ROVNER, M.D.
Pediatrics

MALIA A.L. SHIMOKAWA, M.D.
Pediatrics
MARISSA K. TAKASE, M.D.
Internal Medicine
VICTORIA M. YAO, APRN, FNP-C
Internal Medicine

LATE

February 4, 2021

Dear Chair Onishi, Chair Luke, and Members of the Committees:

My name is Francis Buto, M.D., and I am one of eight owners of a primary care medical group practice that has been serving primarily the Pearl City, Aiea and neighboring communities since 1957 and currently employs 37 healthcare workers.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I would like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that have triggered unemployment to skyrocket were the results of *societal* decisions rather than *business* decisions, of which employers cannot fairly be held solely responsible.

I urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to our concerns.

Sincerely,

Francis Buto, M.D.
President

98-1079 Moanalua Road • Suite 500 • Aiea, Hawaii 96701-4794 • Internal Medicine 808.488.0990 • Pediatrics 808.488.1943

LATE

Westside Foreign Auto Repair
178 Kupuohi ST Unit A101
Lahaina, HI 96761
808-667-7500
rmwestsideforeignauto@yahoo.com

Chair Onishi, Chair Luke, and Members of the Committees:

My Name is Randy Waldrop, I am the owner of Westside Foreign Auto Repair located in Lahaina Maui Hawaii. We are a Auto repair shop and have been in business for over 12 years with a total of 6 employees, servicing our Maui community.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated. However, I would like to respectfully provide comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. Our economy will need more than one year to recover.

The mass shutdowns that triggered unemployment to skyrocket were the result of **societal** decisions rather than **business** decisions, of which employers cannot fairly be responsible for footing the bill alone.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you for listening to my concerns.

Randy Waldrop

wincubic.com, inc.

LATE

February 4, 2021

RE: Bill HB1278

Dear Chair Onishi, Chair Luke, and Members of the Committees:

My name is Ryushi Wada, President of Wincubic.com, Inc. dba Aloha Street. Since 1999, we have been the leading media for Japanese tourists and residents publishing a premier free magazine and popular website. As the tourism market has been at a near standstill for the past eleven months, our company has been severely impacted. However, despite all the hardships, we have maintained all employees, currently eight in total.

Thank you for scheduling this hearing. The political will to improve the tax rate schedule for Hawaii employers is much appreciated and will be necessary as we enter the recovery phase. However, if I may, I'd like to respectfully provide a few comments about my concerns.

HB1278 holds the schedule at C for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on my business and Hawaii's overall business community.

I support the proposed Schedule C, but ask that the schedule be extended into 2022 as well before moving to D in 2023. I anticipate our economy will need more than one year to recover. The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions; employers alone cannot fairly be responsible for footing this bill.

I also urge our lawmakers to look for other ways to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible for replenishing the trust fund, not just employers.

Thank you very much for listening to my concerns.

R. Wada

Ryushi Wada
President & CEO

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LATE

KAPOLEI CHAMBER of COMMERCE

Working together for Kapolei

Testimony to the House Committee on Labor & Tourism and
House Committee on Finance

Thursday, February 4, 2021 at 2:00 P.M.
Via Videoconference

RE: HB 1278, RELATING TO EMPLOYMENT SECURITY

Chair Onishi, Chair Luke, Vice Chair Sayama, Vice Chair Cullen, and Members of the Committees:

My name is Kiran Polk, and I am the Executive Director of the Kapolei Chamber of Commerce. The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region. The Chamber works on behalf of its members and the entire business community to improve the regional and State economic climate and help Kapolei businesses thrive. We are a member-driven, member-supported organization representing the interests of all types of business: small, medium or large, for profit or non-profit businesses or sole proprietorship.

The Kapolei Chamber of Commerce **strongly supports HB 1278**, which amends the definitions of benefit year and week, conforms the manner of filing partial claims to the same as total or part-total, allows the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022, and sets, for calendar years 2021 and 2022 the employer contribution rate at schedule C and D, respectively.

Businesses and employees are facing difficult challenges and for our businesses that contribute to the fund, experiencing increases several times the current amount of the unemployment insurance (UI) premium will be devastating. Many of our businesses, especially small businesses are struggling.

It is estimates that on average, an employer paying $600 per employee per year to the UI trust fund right now, will have an UI increase to more than $2,600 per employee. For many businesses this increase will not only make business survival out of reach, but it may tip them into the brink of closure. The end result of some businesses shutting their doors coupled with others who stay open yet have job cuts will dig us into yet a deeper hole.

Thank you for this opportunity to provide testimony.

Best,

Kiran Polk
Executive Director

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